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Bureau of Business and Economic Research

Oregon Business Review

VOL. XI MAY 1952 No. 5

American Economy Feels Impact Of Military Production

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Present world tensions have created the need for the production of large quantities of military goods in the United States. This article discusses two broad questions raised by this production: first, how we decide how much and what types of military production we must have, and, second, to what extent this military production will require, or bring about, a change in the production of consumer goods.

President Truman has submitted a proposal for a Federal budget for the coming fiscal year of $85.4 billion. Of this, $51.2 billion is for direct military expenditures, and a large portion of the remainder is for payment for past wars, including such items as veterans benefits and interest on the public debt. The total of $85.4 billion may be cut slightly by the Congress, but it is doubtful that any substantial reductions will be made. The total can be compared with the peak year of Federal expenditures during the World War II of $95.6 billion in 1944. Never before in peacetime has the nation spent so large an amount or so large a percentage of its total national income on military production.

The basic question of how much total military production shall be is a decision made by the Congress along with the President, in appropriating money for the military. The productive facilities left over after these military demands are met may (but will not necessarily) be used for the production of consumer goods. The question of what types of military and consumer goods shall be produced is decided by a national production agency, in cooperation with the Department of Defense. The authority of this agency, which was established shortly after the outbreak of the Korean conflict, includes the following major areas: it may allocate scarce resources and grant priorities for their use; it may grant production loans to producers of strategic materials; it may limit the inventories of strategic materials held by producers, and punish hoarding; and it may grant special tax benefits to producers engaged in defense activities.

In peace time the American economy relies heavily on the free operation of markets. Specifically, prices are supposed to do the job of allocating resources, telling producers what to produce and how much to produce. Consumers indicate their wants by their willingness, or unwillingness, to buy products. Producers fulfill those wants by producing those goods for which the consumer is willing

(Continued on page 4)

ARTICLES OF INTEREST IN THIS ISSUE

American Economy Feels Impact of Military Production. By Harry T. Koplin.

University of Oregon Sponsors Community Business Clinics. By Charles F. Ziebarth.

CED Recommends Spending and Tax Policy for 1952.

Portland Food Prices.

Current Business Trends in Oregon.

University of Oregon Sponsors Community Business Clinics

By CHARLES F. ZIEBARTH
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A significant trend in increased cooperation between schools of business administration and commercial and industrial enterprises can be detected in the United States. Obviously, closer contact offers many advantages both to the schools and to commercial and industrial interests. On the part of the schools this cooperation has taken the form of the provision of various types of services to commerce and industry. This article presents a brief discussion of various services provided to business by the School of Business Administration of the University of Oregon, together with a more detailed account of one of the latest additions to its services, the so-called "business clinic."

The school provides a number of services through its Bureau of Business Research. The bureau carries on studies of business problems related to the state of Oregon and the Pacific Northwest. Studies are frequently initiated by members of the staff or undertaken at the request of businessmen and officials of the state. The bureau also provides opportunities to graduate students and seniors to assist in the study and solution of problems as part of their training. The bureau also publishes the *Oregon Business Review*, a monthly periodical devoted principally to the analysis of current business and economic trends in Oregon and the Pacific Northwest.

Another service for business and community leaders of the eleven western states should be mentioned. Every third year, the School of Business Administration acts as host to the Western Institute for Commercial and Trade Association Executives. More than 150 western chamber of commerce executive and officials of other business organizations attend the sessions of the institute held on the University campus. Members of the faculty participate in planning the program of the institute and give lectures during the sessions.

Still another service to business may be mentioned. The School of Business Administration, together with the General Extension Division of the Oregon State System of Higher Education recently organized a program of supervisor training for one of the larger industrial enterprises of the state and for a number of business associations. Inquiries received from other industrial firms and associations appear to indicate that this type of program will probably require expansion in the future.

(Continued on page 2)

Oregon Business Review

VOL. XI EUGENE, OREGON, MAY 1952 NO. 5

Bureau of Business Research, School of Business Administration
University of Oregon
WESLEY C. BALLAINE, Editor

Published monthly. Entered as second-class matter, August 10, 1948, at the postoffice at Eugene, Oregon, under the act of August 24, 1912. Persons wishing to receive the *Review* regularly should address requests to the editor. There is no subscription charge.

University of Oregon Sponsors Community Business Clinics

(Continued from page 1)

About two years ago, the School of Business Administration inaugurated still another service to business and industry of the state by sponsoring what have become known as "business clinics." At the outset, these were rather informal affairs. Notices were mailed to secretaries or managers of local chambers of commerce announcing that the service was available. Officers of the interested chambers were requested to indicate the area of their interest, i.e., that they desired a clinic devoted to the subject of industrial development, marketing problems, transportation rates and services, etc. Given this information, the school selected qualified men from its faculty to conduct the clinic.

With the passage of time, it became clear that more careful planning was necessary. This is now achieved either through correspondence or at a meeting between representatives of the school and the interested chamber. With such preliminary planning, it has been possible to ascertain more accurately the problems of the community and hence to select the personnel and prepare for the meeting with greater care.

Experience has indicated, moreover, that, although the faculty of the School of Business Administration includes representatives of a wide range of industrial and commercial specializations, the problems of a given community frequently call for the consideration of specialists outside industry and commerce. As an example, one community requested a clinic on how it might proceed to secure greater diversification of industry. At the clinic, members of the panel pointed out that more knowledge of the community's industrial potential was essential and an industrial audit was suggested. This study was made, and it was found that the community lacked an adequate water supply to attract the desired types of industrial plant. This led to another clinic which required the presence of a member of the staff of the University's Bureau of Municipal Research and Service. Subsequently, the community discovered that it was desirable to call upon the University's School of Architecture and Allied Arts for assistance in laying out a long-range plan for the city. On other occasions, it has been found necessary to recruit members of the faculty of the Department of Geology and the Department of Economics for the clinic panels.

When a clinic is planned, the community's problem is studied with care so that it may be possible to select accurately the best qualified persons to serve on the panel. Members may be secured from the School of Business Administration and from other departments of the University. If the right men are not available on the campus, they are obtained from other state institutions or from private enterprise. It was recently found desirable, for example, to call upon an official of the Raw Materials Survey, Inc. and a representative of the industrial development departme of one of our large western railroads to secure the type of clinic personnel it was felt was needed. In another instance, an officer of a marketing consulting firm rendered valuable assistance.

Clinics have been presented on subjects such as the following: transportation rates and services and their effect upon the economy of the community; how to secure diversification of industry; how to make effective a buy-at-home program; city planning for expansion; and accounting for retail profits—recent developments.

Clinics on transportation have involved consideration of rate and service factors as they affect interior points as well as port cities. Community leaders in interior cities are interested in ascertaining whether they are suffering economic handicaps in competition with other communities from a rate and service standpoint. They want to know, moreover, what can be done about it. Civic leaders of port cities are concerned with similar types of issues. The problems at the ports, however, are more complicated, in that they involve both inland and ocean carrier rates and services; civic leaders of port cities therefore want information relative to the advantages of shipping through their ports as compared with competitive ports.

More communities have shown an interest in the problem of how to secure diversification of industry than in any other subject dealt with by the clinics. Civic leaders in cities largely dependent upon a single industry fear that the po tion of their communities is especially vulnerable to the a verse effects of a recession or depression, and are therefore interested in attracting other industries, in the belief that a variety of industries represents a hedge or a source of greater stability during the decline and depression phases of a business cycle.

The merchants of a number of communities have been concerned with the tendency of the local citizens to go to the larger neighboring cities to shop. This has been particularly true of towns which occupy a satelite position in relation to a large neighboring city. A considerable number of Oregon cities find themselves in such a position, and the merchants of these communities regard this as one of their more perplexing problems.

Clinics on city planning have arisen for the most part out of earlier clinics devoted to the problem of securing diversification of industry. The planning clinics have almost invariably involved discussions centering about the economic advantages of a community which could be used to attract business enterprises. Many cities have never had an economic or industrial survey made to determine what advantages or disadvantages the community possesses from the standpoint of plant or business location. An examination of a community's economic potentialities frequently uncovers liabilities as well as assets. A corrective program is often required to place the city in a position to bid for new business undertakings. Such a program almost inevitably requires civic leaders to embark upon a long-run plan. Si such plans come within the scope of the activities of the Bureau of Municipal Research rather than the School of Business Administration, representatives of this division

of the University have been called upon to participate in these programs.

Interest in clinics on recent developments in accounting for retail profits has been shown by the retail divisions of several chambers of commerce. Retailers appear to be unusually alert to progressive developments taking place in their types of business. A number of clinics on other aspects of the retail trade have also been held.

After having determined the topic that the community desires to have developed in a clinic, selection of the personnel to conduct it is made. The selection is dependent in large part upon the various aspects of the subject that will require emphasis. For example, in planning a recent clinic, it was ascertained that the chamber leaders desired a discussion of industrial development. At a preliminary meeting, it was found further that the community desired that emphasis be given primarily to problems of raw materials, transportation, and markets as they bear upon the problem of industrial development. With this information, the selection of properly qualified men to serve on the panel was easily accomplished.

A somewhat standard pattern for conducting clinics appears to be emerging. Experience has shown that it is desirable that preliminary remarks of a rather general nature be made by each member of the panel concerning his specialty as it relates to the major problem under consideration. This tends to point up the issues clearly and is therefore conducive to greater audience interest and participation. Following the general remarks by the panel members, the meeting is thrown open for questions from the floor. The questions can usually be classified according to the panel members' specialties and directed, by one of the group acting as chairman, to those best qualified to answer them.

From experience thus far with the program, certain generalizations may be ventured. Members of the clinics have been uniformly well received. The clinic members generally agree that the contacts made have been valuable to them, providing an opportunity to become acquainted with the problems of the business and civic leaders of the state in a way not otherwise possible. This knowledge, they also agree, is useful in the conduct of their teaching assignment on the University campus.

It is more difficult to appraise the benefits derived by the cities which have been visited. From the remarks made by community leaders to members of the clinics, it is probably not overly optimistic to state that the advantages may be somewhat as follows: (1) An outside point of view is of value, because, regardless of how seriously community members have studied their problems, an outsider sees them in a less personal way and is likely to see aspects not discernible to those living in the community, and he is almost certain to bring a different emphasis to bear on the various elements of the problems involved. (2) The give and take customary during the question and answer period of the program usually widens the discussion and brings up issues that need further consideration by business and civic leaders of the community. (3) The mere scheduling and publicity given a program are likely to encourage more people to take an interest and participate in community affairs. (4) Frequently members of the panel have advocated economic or industrial audits as a preliminary to any ambitious industrial development program; if done by capable persons or firms, the results are bound to benefit the community; without such an audit, it is difficult to see how long-range planning can be successfully undertaken. (5) On a considerable number of occasions, members of the clinics have been able to supply civic leaders references to valuable sources of data and information.

Some evidence of the value the community attaches to these meetings may be seen in the tendency of cities to ask for more clinics. Repeat performances have been given in several cities.

In conclusion, it can be said that the clinics are not intended as vehicles for the immediate solution of community problems. On the contrary, they are planned primarily to provide a forum where outsiders with some claim to ability in their respective fields can sit down with community leaders and discuss with them the various aspects of the most urgent problems facing the communities and point up what needs to be done to solve them.

BUILDING PERMITS IN OREGON
March 1952

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential Mar. 1952	*New Non-residential Mar. 1952*	*Additions, Alterations & Repairs Mar. 1952*	*Totals Mar. 1952*	*Totals Feb. 1952*	*Totals Mar. 1951*
Astoria	$ 21,369	$ 30,000	$ 10,991	$ 62,360	$ 18,394	$ 62,878
Baker	95,500	600	8,600	104,700	4,150	7,860
Bend	76,675	18,200	13,245	108,120	52,315	26,911
Coos Bay	32,200	6,000	7,250	45,450	86,540	128,998
Corvallis	93,560	.....	5,800	99,360	163,662	107,740
Eugene	139,000	20,000	37,044	196,044	258,215	835,983
Grants Pass	74,160	13,940	5,950	94,050	87,085	139,310
La Grande	36,500	.....	7,450	43,950	4,600	10,014
Medford	183,900	8,525	27,368	219,793	216,607	234,560
North Bend	87,846	1,500	4,540	93,886	65,100	89,100
Oregon City	35,500	.....	10,840	46,340	1,450	23,000
Pendleton	81,000	8,950	6,800	96,750	32,100	32,496
Portland	1,895,100	735,140	680,525	3,310,765	3,146,140	3,122,960
Roseburg	51,000	4,800	30,353	86,153	94,565	124,445
Salem	298,950	342,985	39,864	681,799	360,597	394,447
Springfield	101,290	3,500	24,250	129,040	134,616	90,310
The Dalles	83,575	2,490	43,025	129,090	76,410	114,690
All other communities	276,010	98,200	69,525	443,735	413,498	861,268
Total	$3,663,135	$1,294,830	$1,033,420	$5,991,385	$5,216,044	$6,406,970

American Economy Feels Impact Of Military Production

(Continued from page 1)

to pay the most, in relation to costs. When there is a change in the wants of the consumers, production of the undesired products becomes unprofitable and their production is thereby discouraged. Production of the newly desired goods is stimulated by their profitability. It is prices, then, and the related profits which bring forth the desired change in the pattern of production.

It might be asked why this same method cannot be used to encourage production of military supplies and discourage production of consumer goods during the present period of national emergency. There are several objections of the price system under such conditions.

To begin with, it is doubtful whether it could operate fast enough. We want a drastic and immediate switchover from the production of at least certain types of consumer goods to the production of military goods. The price system in the long run could quite possibly achieve the desired change. But, as one economist has said, in the long run we are all dead. And that statement may be more than a mere figure of speech if we rely upon the price system to achieve the goals of production allocation in a time of national emergency such as the present.

A second objection to the price system as a means of allocating production between consumer goods and military supplies is the danger of price inflation. The use of a price system under present conditions would require that the government simply offer to pay higher prices for military goods, prices high enough to encourage producers to switch of their own accord from the production of consumer goods to the production of military goods. This would involve a drastic increase in certain prices, and could very well lead to a run-away price inflation.

A third objection of the price system, as it relates to our present problem, is that the free market does not accurately and completely reflect the true value of certain types of goods to the nation. In a time of national emergency, certain products become very important to the nation as a whole. We may say they have social value, as contrasted to value to individuals. They satisfy group wants instead of individual wants. Dollar signs alone cannot represent, or reflect, these social valuations.

Perhaps the best illustration of this is the valuation of the services of soldiers. A private in the United States Army is paid $75 a month. Does that represent the value of his services? Theoretically, I suppose, we could operate the army on a price system. We could raise the level of pay offered soldiers to a point where we would get sufficient volunteers. (How much would you want to be paid to fight in Korea today?) But soldiers fight, not for the money they receive, but because of nonmonetary values and pressures attached to their service. And no one claims that their pay corresponds to the services they perform. Therefore we establish an allocation system for manpower, in this case the draft. This same concept of nonmonetary values is applied to the production of different types of goods. An allocation system is set up for production and the use of material resources as well as for manpower.

Difficulties arise, however, in trying to assign social valuations, in trying to say which goods are more important and which less important. It is not enough (and not strictly true) to say simply that tanks are more important than automobiles. The principle of "diminishing marginal utility" enters in. The more we have of a given product, whether tanks or automobiles, the less valuable additional units become. What we must do is find the proper number of tanks and the proper number of automobiles, remembering also that, at least in a full-employment economy, the more we have of one, the less we may have of the other.

This is a simple statement of a very broad and important problem. The armed forces have literally millions of needs for all sorts of materials and supplies. Which have the higher social priority? Which are the most important, both from the point of view of national survival and from the point of view of the satisfaction of the individuals of the nation? What system of social valuation can be used? There are no objective answers to these questions. The answers have to be, and are being, hammered out in conferences, in conflicts, in day-to-day policy decisions. Every day, the newspapers bring information of a new conflict or a new decision.

The principle of using social valuations instead of merely market prices as a guide to production has one major disadvantage and one major advantage. The disadvantage is that there is no objective standard of valuation. There is no simple way of saying, "A is better than B," as there is under a price system. On the other hand, social valuation may have a marked advantage over a price system in that all sorts of factors may be considered in determining valuation, and not simply how many dollars a given individual or group of individuals will pay for a certain product.[1]

The types of factors which can enter into social valuation are illustrated by a recent situation in Detroit. Automobile production early this year was ordered reduced, primarily because of a shortage of specific strategic materials, copper being the most important. This has created a significant amount of unemployment in Detroit. In deciding whether automobiles should be produced or not, and how many, the National Production Authority must consider the scarce materials used in their production and the possible other uses of these materials, particularly in producing military supplies. And it must also consider the various possible uses of the productive facilities and of the working force itself. That is, the social cost of this unemployment can be (and is being) considered, as well as the social waste of copper if is is used for automobiles instead of for military goods.

[1] Note the following list of fourteen major policies for government purchasing officers, cited by a representative of the Munitions Board Office of Supply before a House of Representatives committee (reported in the National City Bank *Letter*, Mar. 1952, pp. 34-35): "1. Get the most for the Government's money. 2. Not buy in advance of needs. 3. Favor small business. 4. Honor the 'buy America' clause in the law governing stockpiling. 5. Favor distressed areas. 6. Maintain economic equity between geographical areas and groups. 7. Favor firms which have received low allotments of controlled materials. 8. Broaden the nation's economic base. 9. Encourage the dispersal of industry. 10. Avoid concentration of economic power. 11. Support the Government's anti-monopoly program. 12. Enforce mandatory anti-discrimination, child labor, fair labor, minimum wage, and compulsory sub-contracting laws and regulations. 13. Implement mobilization and planning activities. 14. Award contracts, if deemed necessary, to distressed areas, even though there are no low bidders there."

The type of production problem most important in the United States today is not so much that of aggregate production, that is, of increasing military production and forcing a general curtailment of consumer-goods production—rather, it is a problem of specific bottlenecks. There are several important materials which are in short supply today relative to our needs for them. In varying and ever-changing degrees, there are currently shortages of steel, aluminum, copper, machine tools, and nickel. Our problem is not so much a shortage of resources in general as a shortage of these particular materials.

But the effect of these specific deficiencies can and does pervade the entire economy. We in Oregon had a good example of this a few months ago. The plywood industry was faced by a decline in demand, causing curtailed production, primarily because a few metals, performing a relatively small but essential role in construction, were in extremely short supply, thus requiring restrictions on construction and a consequent decline in demand for construction materials, including plywood.

Although in specific areas we have had to curtail production of consumer goods, in order to make room for military production, in the aggregate consumer-goods production is probably suffering more from a general shortage of demand than from a shortage of materials. As one producer of consumer durable goods recently said, "In spite of all the talk about shortages of materials, the really big brake on production is lack of consumer demand."

This may be a relatively short-run situation. Although government appropriations for military supplies have been tremendous in the past year, the actual military expenditures by the government have only recently begun to develop to any great size; they are, however, expected to expand significantly throughout the coming year. As these actual expenditures for military supplies increase, our incomes will increase (particularly, of course, if the government finances these expenditures through debt rather than through taxation). As our incomes increase, so will our desires for, and our ability to pay for, consumer goods. That is why many commentators have forecast a gradually greater pressure on prices and a gradually greater reduction in the availability of consumer goods.

Under certain conditions, however, an increase in such government expenditures can mean an increase, rather than a decrease, in consumers' purchases of goods. Under full-employment conditions our total output is determined by the amount of productive facilities available. But it is not always true that the total demand for goods of all types will completely employ all of our productive resources. The result is unemployment, both of men and materials. And if resources are unemployed, an increase in government spending may create extra income which consumers may then use to increase their demand for consumer goods. Thus, until the physical limits of production of the economy are reached, an increase in government spending can lead to an increase in the production and consumption of consumer goods. We may have, in other words, both more guns and more butter. And, although it seems somewhat incredible that we could be at anything less than full employment the next year, considering the high level of government expenditures, there have already been several indications of soft spots in the economy which may foreshadow such a decline. The shortages of World War II have to a considerable extent been made up and more, by the tremendous production of the last six years. There is a very real question whether the high level of demand for consumer goods of the last six years would continue in the future, even if resources were available to produce these goods. On the other hand, there is some evidence that the current business lull is a temporary consequence of excessive "scare" buying and accumulation of inventories last year.

This article has drawn two somewhat contradictory pictures, one of an economy bursting at the seams in which production controls are necessary, and one of an economy of less than full employment.[2] Which can we expect for the future? The writer's personal opinion is that, unless the Korean war ends shortly *and* the government thereupon decreases drastically its proposed level of expenditures, the United States will face a year or more of steadily increasing pressure on resources. The economy may be marked by soft spots here and there, but these will be caused by bottlenecks more than by lack of demand. In the aggregate it is likely that production will be high, and a significant reduction in the production of consumer goods will probably be required.

Predictions for a longer period of time are little more than speculation, primarily because human behavior cannot be predicted precisely. But this itself implies that, to a considerable extent, we can determine our own economic future. The concept of an economic system not amenable to any human direction is giving way to a realization that economic storms of depression and inflation are to a significant degree man-made. And what man has created he can, if he will, control.

CED Recommends Spending and Tax Policy for 1952

(The following article is a summary of a statement issued by the Research and Policy Committee of the Committee for Economic Development.)

According to the President's budget, the Federal government will incur a deficit in the cash-consolidated budget of about $10.4 billion in the fiscal year 1953. The prospective deficit confronts the nation with this choice: Should expenditures be reduced below the budget proposals, should taxes be increased, or should a deficit be permitted?

This question is as difficult as it is important because: (1) The present world situation seems to require large expenditures to promote the security of the United States. (2) Present tax rates are extremely high, especially on individual and corporate incomes, and further increases would threaten the efficiency and growth of the economy. (3) Despite the fact that inflation has been checked during the past year, a budget deficit would increase the risk of further inflation, with serious injury to the nation.

[2] There is, however, no necessary inconsistency here, since selective controls over specific resources may well be required in times when other resources are unemployed. For example, while certain geographical regions have recently been labeled as areas of critical labor shortages, at the same time priority in government contracts is being granted several other areas, including Detroit, because of unemployment there.

It is possible that a combination of good luck, vigorous monetary policy, and direct controls would enable the nation to squeak through the next two years without further inflation, despite annual deficits of, say, $7 billion. But this is a risky proposition in view of the serious consequences of being wrong. The objective should be not merely to skirt the edge of inflation but to re-establish confidence in the value of the dollar with the briefest possible reliance on price and wage controls. Therefore, we must not add to the risk of inflation by incurring a deficit in fiscal 1953.

The problem is how to finance the expenditures necessary to our national security and to other important objectives of national policy without inflation and without repressive taxation.

Analysis of the budget in the light of our present domestic and international situation leads us to the following conclusions: (1) The cash budget should be balanced. (2) Expenditures should be held down to the amount of revenue that will be obtained from present taxes, by operating all government programs more efficiently and by reducing or deferring some programs not directly related to national security. This will require the reduction of the cost of the military and foreign-assistance programs, but will not require the reduction of their effective size. (3) If expenditures are not held down to the revenue from present taxes, the budget should be balanced by enacting a temporary tax on retail sales except sales of food, housing, and items already subject to direct Federal excise taxes.

The recommendation to hold down Federal expenditures raises two questions: (1) Can it be done without impairing provision for the national security and other essential government functions? (2) Is it realistic to expect that expenditures *will* be held down, even though it be agreed that they can be? We believe that the possibility of success in the effort to balance the budget is indicated by a growing determination on the part of the public, the Congress, and the certain government agencies.

The short period of extremely high expenditure is likely to be followed by a long period of somewhat lower but still very high expenditures. Reforms in our fiscal procedures are necessary if we are to get through this period without inflation, without retarding the rate of economic growth, and without an elaborate harness of direct controls.

The $10.4 billion cash deficit indicated in the President's budget message would result from estimated expenditures of $87.2 billion and estimated revenues from existing taxes of $76.8 billion in fiscal 1953. The estimate of expenditures appears somewhat high, even assuming adoption of the whole presidential program. For example, the rate of Defense Department expenditures to date indicates that military expenditures could fall short of the $58 billion budget estimate by $5 to $7 billion. If the program is vigorously pushed, it seems reasonable to believe that actual expenditures will still be about $3.5 billion below the estimate.

A reduction of this size in total estimated Federal expenditures would leave a deficit of about $7 billion. This $7 billion may be taken as a measure of the budgetary problem.

There are compelling reasons for balancing the budget by holding down expenditures rather than by raising taxes. It is obviously desirable at any time to reduce expenditures to the extent that this can be done by more efficient operation of the government. Beyond this, we believe that an item-by-item analysis of the budget reveals many programs that can be reduced or deferred with less cost to the nation than would be involved in either raising taxes or running a deficit to pay for them.

Of the $87.2 billion of expenditure proposed in the budget, $65.2 billion is for national security programs. The great bulk of this—$58 billion—is for the military functions of the Department of Defense and military aid. Two and a half billion dollars is for other foreign aid. The programs that make up the remainder of the national security total include atomic energy, civil defense, stockpiling and defense production, and economic stabilization. Even after allowance for the $3.5 billion by which we estimate that the Department of Defense and military aid programs will fall short of the budget estimates, the $54.5 billion of expenditures in these two categories will still be 65 per cent of the whole budget. Obviously, the decisions made about these expenditures are critical for budget policy.

We believe that the world situation requires a rapid build-up of our own military forces and assistance to friendly nations in building up their military and economic strength. But, with much of the necessary information not publicly available, we are unable to form a judgment about whether the programs should be of the size contemplated in the budget or, say, 10 per cent smaller or larger. Accordingly, we are assuming that the objective is to carry out military and foreign-assistance programs of the scale contemplated in the budget. We believe, however, that more economical operation can substantially reduce the expenditures required for the programs contemplated in the budget without reducing the programs themselves. We also believe that foreign assistance—military and nonmilitary—is as necessary to our own security as our own military program.

Substantial economies in the security programs can be achieved in the following ways: (1) more rigorous screening of procurement requirements; (2) reduction of inventory requirements through standardization and integration; (3) more unified procurement; (4) design of military equipment to permit use of the most economical production methods; (5) design of military equipment to eliminate unnecessary performance characteristics; (6) elimination of specifications that unnecessarily limit sources of supply; (7) use of foreign sources of supply when they are cheaper; (8) economy in construction.

We believe that, with vigorous and discriminating effort, a saving of about $4 billion could be achieved in the annual expenditures of the Department of Defense (including foreign military aid) without impairing the effectiveness of the security programs. This would be a reduction of slightly less than 10 per cent in the expenditures of the department exclusive of military pay. This rate of saving applied to the department's program for the next few years would add up to many times $4 billion.

We believe that the proposed expenditure of $4.7 billion for security programs other than the military and foreign assistance programs can be reduced about $450 million by reducing the proposed increases in the civil-defense,

economic-stabilization, and production-assistance programs and by more economical operation of other programs.

Outside the national security programs the budget proposes expenditures of $22 billion. We believe that this figure can be cut by about $2.4 billion. About $1.1 billion of the expenditures proposed in the budget are new programs. There is a strong presumption against the introduction of new programs at this time; we believe that expenditures under new programs should be held to not more than $100 or $200 million in fiscal 1953, unless larger reductions in existing programs than are recommended are achieved.

With expenditure reductions of the magnitude recommended, the interest payments of the government would be about $150 million less than the figure in the budget. We recommend also that public works expenditures be cut $300 to $400 million below the budget figure of about $2 billion.

About $7 billion of miscellaneous expenditures not already discussed are included in the budget. Curtailment of expenditures for the Federal National Mortgage Association, aid to agriculture and marginal programs, and savings through administrative economies could account for a cut of $900 million to $1 billion.

The expenditure reductions recommended and estimated above would approximately balance the budget for fiscal 1953. If expenditures are not sufficiently reduced to balance the budget, we believe that a temporary general retail sales tax, exempting sales of food, housing, and items already subject to Federal excises, would be the "least bad" way of financing an excess of expenditures over the yield of present taxes. Other sources of tax revenue cannot be exploited further without serious economic consequences. If it becomes necessary to enact a sales tax, the legislation should provide for its automatic termination on a specified date.

It is extremely important that the budget be balanced by expenditure reductions rather than by additional taxation; there is no source of additional revenue to which strong objections cannot be raised.

The bureau of the Census has begun publication of the Reports on Housing. The Block Statistics for Portland, Oregon are now available in a 98-page booklet. This report presents, by blocks, tabulations for a limited number of subjects obtained in the Census of Housing. These include number of dwelling units, classified by occupancy and tenure, condition and plumbing facilities, persons per room, color of occupants, average contract monthly rent for renter-occupied and selected vacant units, and the average value of one-dwelling unit owner-occupied and selected vacant structures. Data on these subjects are presented in three tables. In Table 1, the statistics are summarized for the city. Table 2 contains the statistics for census tracts. In Table 3, the data are presented by blocks within census tracts.

Ray Summers, John Day, Oregon, has purchased the lease on the old Standard Mine north of Prairie City, Grant County, from Bert Hayes. As soon as weather conditions permit, Mr. Summers plans to start active underground development. The Standard Mine is one of the oldest lode mines in the state.

PORTLAND FOOD PRICES

The University of Oregon Bureau of Business Research reports that in Portland, of 55 foods for which comparison can be made with mid-April 1952, 24 were lower and 21 higher in mid-May, and 10 were the same.

The preliminary average prices of those foods entering into the Bureau of Labor Statistics' Portland Food Index are calculated by the Bureau of Business Research to permit more rapid release.

	In Cents			
	Average May 15,	Change from Last	May Range of Prices	
Commodity and Unit	*1952*	*Month*	*High*	*Low*
CEREALS & BAKERY PRODUCTS:				
Cereals:				
Flour, wheat (5 lbs.)	52.2	— .3	59.0	50.0
Corn flakes (13 oz.)	21.4	.1	25.5	20.0
Corn meal (lb.)	15.3	3.0	19.0	14.0
Rice (lb.)	20.5	.1	24.0	18.0
Rolled oats (20 oz.)	19.4	....	19.0	21.0
Bakery products:				
Bread, white, per loaf (lb.)	16.0	.4	17.0	14.3
Vanilla cookies (7 oz.)	25.1	....	27.0	22.4
Layer cake (lb.)	*	....	.....	.....
MEATS, POULTRY & FISH:				
Meats:				
Beef:				
Round steak (lb.)	111.1	2.9	122.0	105.0
Rib roast (lb.)	90.2	†	95.0	86.0
Chuck roast (lb.)	75.8	.4	79.0	69.0
Frankfurters (lb.)	64.7	.1	75.0	59.0
Hamburger (lb.)	63.3	.1	84.0	59.0
Veal:				
Cutlets (lb.)	120.8	3.7	139.0	110.0
Pork:				
Chops (lb.)	77.6	4.5	89.0	69.0
Bacon, sliced (lb.)	60.9	— .7	69.0	55.0
Ham, whole (lb.)	62.5	2.8	69.0	59.0
Salt pork (lb.)	36.0	— .2	55.0	28.0
Lamb:				
Leg (lb.)	90.9	2.2	98.0	89.0
Poultry:				
Fryers, N.Y. dr. (lb.)	50.5	—3.7	59.0	43.9
Fish:				
Salmon, pink (16 oz.)	57.3	.1	69.0	54.0
Salmon, fresh	81.1	.8	89.0	65.0
DAIRY PRODUCTS:				
Butter (lb.)	80.4	—1.6	86.0	77.0
Cheese, Amer. proc. (lb.)	56.2	—1.6	62.0	34.5
Milk:				
Fresh, delivered (qt.)	22.0	....	22.0	22.0
Fresh, grocery (qt.)	22.0	....	22.0	22.0
Evaporated (14½ oz. can)	14.8	....	16.0	14.0
Ice cream (pt.)	27.2	....	33.0	25.0
EGGS, Fresh (doz.)	58.2	— .3	63.0	55.0
FRUITS & VEGETABLES:				
Fresh:				
Apples (lb.)	17.0	1.3	25.0	7.5
Bananas (lb.)	20.0	.2	23.0	18.0
Oranges (size 200, doz.)	59.2	— .8	87.4	44.1
Beans, green (lb.)	*	....	.....	.....
Cabbage (lb.)	9.7	.8	14.0	8.0
Carrots (bunch)	12.0	1.7	15.0	9.5
Lettuce (head)	17.8	....	25.0	11.2
Onions, yellow (lb.)	15.9	1.4	20.0	14.5
Potatoes, white (15 lb.)	126.1	13.7	187.5	105.0
Sweet potatoes (lb.)	*	....	.....	.....
Tomatoes (lb.)	35.7	— .9	52.0	19.0
Frozen:				
Peas (12 oz.)	24.0	—1.0	27.0	19.0
Strawberries, sl. (12 oz.)	38.0	—1.0	47.0	26.2
Orange juice, conc. (6 oz.)	17.7	—1.0	24.0	14.0
Canned:				
Peaches (no. 2½ can)	30.8	— .5	35.0	28.0
Pineapple (no. 2½ can)	35.8	.2	39.0	31.0
Corn, cream style (no. 303 can)	18.5	— .1	20.0	17.0
Tomatoes (no. 2½ can)	23.0	.5	27.0	22.0
Peas (no. 303 can)	18.5	— .1	22.0	16.0
Baby foods (4½-4¾ oz.)	9.0	....	10.0	8.8
Dried:				
Prunes (lb.)	25.0	—1.4	29.0	22.0
Navy beans (lb.)	16.5	— .2	20.0	14.5
BEVERAGES:				
Coffee (lb.)	87.3	....	95.0	80.0
Cola drink (6 btles.)	25.0	— .2	25.0	25.0
FATS & OILS:				
Lard (lb.)	20.9	.1	30.0	12.5
Shortening, hydrog. (lb.)	32.8	— .4	37.0	31.0
Salad dressing (pt.)	31.9	— .4	41.0	32.0
Margarine, colored (lb.)	29.6	— .2	33.0	29.0
SUGAR & SWEETS:				
Sugar (5 lb.)	55.0	1.8	59.0	50.0
Grape jelly (12 oz. jar)	26.3	....	41.0	23.0

* Insufficient number of quotations to obtain a reliable average price.
† Not reported last month.

CURRENT BUSINESS TRENDS IN OREGON

Employment. The lumber strike dominated the Oregon employment picture for May 1952, although other work stoppages were also significant. Eliminating from consideration the loss of employment incident to strikes, seasonal upturns were not as great as last year; total nonfarm employment continues to run between 5,000 and 6,000 below 1951. The lagging industries are lumber (down 6,200), construction (down 2,500 despite dam jobs), and food processing (down 800). The only major industrial classification to make a better employment showing than last year is metals, machinery, and ship repairing (up 3,400).

The Oregon State Unemployment Compensation Commission reports 22,722 persons actually looking for work the first of May, a reduction of 9,845 over the first of April, but 6,282 more than May 1951.

Lumber. April 1952 Douglas-fir lumber production in the Pacific Northwest was slightly lower than shipments but a little higher than orders. However, all three figures were about 10 per cent lower than in April 1951. The lumber strike is not reflected in the most recent figures for the industry which are given below (thousands of feet, board measure):

	Apr. 1952	*Mar. 1952*	*Apr. 1951*
Average weekly production	212,273	210,931	237,287
Average weekly orders	205,840	200,078	232,450
Average weekly shipments	218,646	209,621	240,837
Unfilled orders, end of month	904,290	960,638	910,660
Gross stocks, end of month	940,238	968,278	657,336

Retail Sales. Available Oregon retail-sales data are, for practical purposes, limited to Portland department stores. Index figures adjusted for seasonal variation (1947-1949=100) show a downward trend for the first three months of 1952. The readings for Janurary, February, and March are 108, 99, and 93, respectively. The most recent May figures indicate a level of sales about the same as a year ago, and some improvement over the earlier part of this year. The percentage change of sales of department stores in other cities of the Pacific Coast are also given below, so that trend comparisons can be made with Portland:

	Week Ending May 15, 1952	*4 Weeks Ending May 15, 1952*	*1952 through May 15*
Portland	+ 3	− 2	−5
Los Angeles	+15	+10	−8
San Diego	+11	+ 5	−3
Oakland	− 2	− 3	−8
San Francisco	− 3	0	0
Seattle	+ 1	− 2	−7
Spokane	+ 1	+ 5	−3
United States	+ 6	+ 1	−6

Multnomah County Real-Estate Transactions. During April 1952 there were 1,313 real-estate sales amounting to $11,020,227 in Multnomah County. Of these, 938 involved residences, the total sales price of which was $8,330,895; 323 were sales of vacant properties, $636,004; and 52 were sales of business properties, $2,053,328. Additional figures are:

	Apr. 1952	*Mar. 1952*	*Apr. 1951*
Number of sales	$ 1,313	$ 1,184	$ 1,077
Value of sales	11,020,227	9,640,405	8,770,663
Number of mortgages	1,169	1,152	1,173
Amount loaned	8,712,760	7,750,604	7,805,214
Average residential sales price	8,882	8,787	

Oregon Black Sand Operations. Coast Minerals Company, Ltd. is reported to have started stripping operations on its black-sand deposit near the coast north of Bandon, Coos County. Operations looking toward production from black-sand deposits on Whisky Run beach are also reported. Whisky Run was probably the scene of the first discovery of rich placer gold along the Oregon beaches.

BANK DEBITS

Bank debits represent the dollar value of the checks drawn against individual deposits. Payment for approximately 90 per cent of all goods, property, and services is by check. Bank debits are regarded as indicators of the general trend of business, though their value for this purpose may be impaired by substantial changes in the level of prices. The Bureau of Business Research collects bank debits from 122 banks and branches monthly. On occasion, the totals for the same month in different issues of the *Review* are not directly comparable because of necessary adjustments in basic data.

Marketing Districts	*Number of Banks Reporting*	*Debits Mar. 1952*	*Debits Feb. 1952*	*Debits Mar. 1951*	*Mar. 1952 Compared with Feb. 1952*	*Mar. 1952 Compared with Mar. 1951*
Oregon	114	$1,263,566,681	$1,146,273,944	$1,208,808,903	+10.2	+ 4.5
Portland (Portland, Hillsboro, Oregon City, etc.)	32	831,894,479	739,712,308	763,687,537	+12.5	+ 8.9
Lower Willamette Valley (Salem, McMinnville, etc.)	15	86,394,036	80,779,492	92,988,934	+ 6.9	− 7.1
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	16	112,534,458	105,480,022	117,678,575	+ 6.7	− 4.4
North Oregon Coast (Astoria, Tillamook, etc.)	4	20,734,885	17,487,670	18,344,240	+18.6	+13.0
Douglas, Coos Bay	7	38,781,151	34,893,986	38,790,755	+11.1	0.0
Southern Oregon (Ashland, Medford, Grants Pass)	6	47,038,894	43,402,008	47,747,339	+ 8.4	− 1.5
Upper Columbia River (The Dalles, Hood River, etc.)	7	17,630,460	18,484,462	19,028,432	− 4.6	− 7.4
Pendleton area	6	24,816,564	25,283,254	23,272,495	− 1.8	+ 6.6
Central Oregon (Bend, Prineville, Redmond)	5	20,726,577	19,268,326	20,872,818	+ 7.6	− 0.7
Klamath Falls, Lakeview area	5	25,013,211	24,222,216	27,450,361	+ 3.3	− 8.9
Baker, La Grande area	6	19,042,048	18,125,919	20,625,602	+ 5.0	− 7.7
Burns, Ontario, Nyssa	5	18,959,918	19,134,281	18,321,825	− 0.9	+ 3.5

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential Apr. 1952	*New Non-Residential Apr. 1952*	*Additions, Alterations & Repairs Apr. 1952*	*Totals Apr. 1952*	*Totals Mar. 1952*	*Totals Apr. 1951*
Baker	$ 2,000	$ 1,500	$ 15,550	$ 19,050	$ 104,700	$ 107,200
Bend	62,850	600	17,580	81,030	108,120	59,203
Coos Bay	40,834	38,100	4,090	83,324	45,450	89,180
Corvallis	176,085	5,200	11,205	192,490	99,360	126,560
Eugene	180,500	49,400	101,992	321,892	196,044	665,921
Grants Pass	140,595	38,268	27,747	206,610	94,050	331,337
Klamath Falls	26,000	45,000	58,475	129,475	69,450	134,630
La Grande	8,500	400	7,515	16,415	43,950	20,005
Medford	102,300	33,045	45,515	180,860	219,793	230,729
North Bend	89,850	280,800	16,045	386,695	93,886	24,000
Oregon City	55,895		4,131	60,026	46,340	95,885
Portland	1,907,250	764,365	885,225	3,556,840	3,310,765	4,055,335
Roseburg	32,500	47,683	39,315	119,498	86,153	58,529
Salem	373,300	61,827	45,820	480,947	681,799	462,59[illegible]
Springfield	86,460	2,850	14,275	103,585	129,040	193,[illegible]
The Dalles	101,000	3,350	30,800	135,150	129,090	64,2[illegible]
15 other communities	184,100	103,795	90,420	378,315	343,160	570,641
Total	$3,570,019	$1,476,483	$1,415,700	$6,462,202	$5,801,150	$7,290,676